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Telecom Egypt announces First Quarter 2010 Results

Presenters

Mr. Tarek Tantawy, CEO & Managing Director

Mr. Hassan Helmy, Vice President & CFO

Mr. Ahmed Fathallah, Director of Investment & Investor Relations

Mr. Mohamed Kamal, General Manager of Investor Relations

Shakir Iqbal Good morning and good afternoon everybody, this is Shakir Iqbal of Bank of America Merrill Lynch. I'd like to welcome you all to Telecom Egypt's Q1 Results Conference Call. From Telecom Egypt, we have with us today Mr. Tarek Tantawy, CEO and Managing Director; Mr. Hassan Helmy, Vice President and CFO; Mr. Ahmed Fathallah, Director of Investment & Investor Relations; and Mr. Mohamed Kamal, Investor Relations General Manager.

As usual the conference call will start with a presentation and discussion of the highlights of the year followed by a Q&A session. I will now hand the call back to Mr. Mohamed Kamal for the Safe Harbour statement.

Mohamed Kamal Thank you Shakir for the introduction and for hosting the conference call. Good morning and good afternoon everyone. As a standard rule of corporate governance of Telecom Egypt, I will first start by reading a short Safe Harbor statement. We may make some forward-looking statements in the course of this conference call. These will be based on information available to us as of today. You should therefore not assume in the future that we continue to hold these views. We do not commit to notifying you if our views change. We refer to our public filings for some factors that may cause forward-looking statements to differ from actual future events or results.

That was the statement. I will now pass you over to Tarek Tantawy, the Chief Executive Officer and Managing Director of Telecom Egypt.

Tarek Tantawy Thank you Mohamed. Good afternoon and good morning to you all and welcome to our first quarter results call. I will briefly focus on some highlights before asking Hassan to do the same on the financials so we can get on to our questions promptly.

As recent events have shown the effects of the global financial crisis are not yet over and its aftershocks continue to be felt. Despite this, the results I would be sharing with you today once again demonstrate TE's ability to deliver solid performance in a turbulent and highly competitive operating environment. I view our performance during the first quarter as very solid.

The telecommunications landscape in Egypt continues to be very fluid. Just 12 months ago, the picture was very different. Our business and subscriber base has evolved. We are somewhat leaner and fitter particularly as a result of the steps we took to tighten our credit policy in 2009. This action resulted in disconnecting 2.4 million customers mostly during the second quarter of the year. What is notable, therefore, is that while TE's subscriber base is now 20% lower, our top line has remained resilient showing that the quality of our customer base is now much higher.

Meanwhile, while we continue to see the effects of the economic situation make prompt payments difficult for a specific customer segment, our average telecommunications spending has not declined. In fact, average telecommunications spend in Egypt is still nearly half the global average. In the context of such a dynamic market comparisons with the last quarter show a more meaningful trend. What you can see from the comparison with the fourth quarter of 2009 is that, during the first three months of 2010, we have stabilized revenues, taken steps to control costs further and as a result increased our markets. Reaching 2.5 billion Egyptian pounds in revenues and the net profit margin of 40% in today's operating environment is an immense achievement.

In Egypt, the telecommunications land grab continues. The pricing environment remains very aggressive in our domestic markets, but what can be seen in the quarter on quarter comparison is that our response to the aggressive discounts made by mobile operators has already started to yield some results. Our promotions have been compelling and have resulted in a number of subscribers choosing Telecom Egypt for both quality and value. In fact, all voice revenue categories showed a marked improvement on the levels reached in the final quarter of 2009, and total retail revenues were in fact up 5% quarter-on-quarter. So we have been facing the challenges of market stabilization head on, diversifying our business to capture growth in the mobile markets. This is evident from the make-up of our revenue composition. In the first quarter of this year, our diversified business model has continued to deliver stability with advances in wholesale revenues more than offsetting any short-term pressure in retail revenues. Wholesale revenues now constitute a central component of Telecom Egypt's revenue mix accounting for 48% of total service related revenues in the first quarter of 2010 compared to 42% of total service related revenues in the first three months of 2009. Wholesale revenues grew 14% year-on-year, and 23% when compared with the fourth quarter of 2009. The uplift really comes from international wholesale revenues which account for 76% of total wholesale revenues. We have recognized almost 160 million Egyptian pounds linked to our cable build for the period. I will touch more on the cable project in just a moment.

The broadband opportunity remains one of the cornerstones of our go forward strategy and TE Data, our wholly owned broadband internet subsidiary continues to set the standard in the retail ADSL markets. TE Data made significant progress during the first quarter increasing its customer base by 42% when compared with the first quarter of 2009 or 8% when compared with the last three months of 2009. We expect to see a progressive growth in the revenue contribution from TE Data over the coming period.

While, we have led from the front for some time, broadband is a market which is slowly becoming more competitive so we are working closely with TE Data to ensure we retain our leading market share. This has already resulted in bundled offers such as double play packages, the creation of innovative content solutions and collaborative service offerings with multinational vendors, like Microsoft.

The build of our first submarine cable project TE North is on track for 2010 delivery. We landed the cable in Abo Talat on 1st April, 2010 meaning that the wet build is now complete. We expect the cable to be operational by the end of the second quarter of 2010, when further revenues will start to be recognized accordingly. This segment organized under our international customers business unit will become an increasingly important part of TE's revenue mix, and Hassan will walk you through the accounting treatment for the submarine cable related revenues shortly.

In a highly dynamic market, Vodafone Egypt has once again demonstrated significant success in subscriber acquisitions adding 30% to its total base by its year end of 31st March, 2010 when compared with the previous full year. It now has 43% market share and generated almost 40 billion voice minutes. It generated total revenues of 12 billon Egyptian pounds in the full year ended 31st March 2010, an increase of 2% on the previous year. Net profit was slightly down at 3.01 billion Egyptian pounds versus 3.08 billion Egyptian pounds in the previous year. As a result, our Vodafone Egypt investment contributed income for the period of 300 million Egyptian pounds.

I will now pass you over to Hassan Helmy, Telecom Egypt's CFO for a discussion of the company's financial performance during the period. Hassan, over to you.

Hassan Helmy Thank you Tarek and good afternoon everyone. As Tarek has mentioned, our top line performance has shown a great deal of resilience when viewed on a year-on-year basis. Total service related revenue reached 2.5 billion in the first three months of the year. This is just 1% down in the same period in 2009 when our subscriber base was 11.6 million. Total retail revenues for the first quarter of 2010 were 1.3 billion Egyptian pounds, a decline of 12% when compared with the same period in 2009. This decline in the annual comparison is again attributable to the ongoing promotional activities undertaken by TE to counter continued aggressive promotional activities from mobile operators. These promotions were not in place during the first quarter of 2009. TE reduced domestic long distance to match a local minute tariff between October and November. In addition, TE reduced its fixed to mobile tariffs by more than 50% in response to aggressive price cuts by the mobile operators during December. Our promotion had the desired effect with usage significantly increasing and a reduction in the active subscriber base is flowing. When compared to the last quarter of 2009, when these promotions were also on the operations you can observe an 11% increase in total voice revenues.

I would like now to look at some of other line items on a quarterly basis. Wholesale revenue which Tarek has touched on turned in a very strong performance in part due to the recognition of revenue from our cable projects, combined Q-on-Q progression in retail and wholesale retailed resulted in an uplift of 13% in total service related revenues. With respect to revenue from cable projects, we have analyzed the existing contractual arrangement with our customers and consulted with our auditors. We have concluded that this type of transactions in substance as sale rather than a lease and as such revenue is recognized once specific revenue recognition criteria the set out in accounting rules is fulfilled.

Our hard work has not ended there. Our major cost items as most of you know are personnel interconnection costs and other operation expenditures. We have taken control of all of these items: maintenance, operational items, and SG&A. Modest head count reduction has also reduced total salary costs. All of this adds up to an improved EBITDA performance before provisions and in comparison with the final quarter of 2009 EBITDA has increased by 56% to 1.4 billion Egyptian pounds. Our EBITDA margin for the first three months of the year stands at 54.5%. Our investments in Vodafone Egypt continue to offer TE significant value as a means of accessing the mobile market. Vodafone itself contributed 300 million Egyptian pounds directly to TE's bottom line reflecting strong quarterly and the full year performance. As a result, TE's consolidated net profit increased more than 100% Q-on-Q rising to 992 million Egyptian pounds. This constitutes a net profit margin of 40% and EPS of 58 piasters. There are two points I would like also to focus on. Our Capex has increased to accommodate the final stages of the TE North build-out, carefully planned investment in our modern infrastructure and value accretive projects continue to serve us well and are in line with management expectations. Total Capex in the first quarter of 2010 was 309 million Egyptian pounds or 12% of our total revenue. The free cash flow generated from our business has been prudently deployed to our debt repayment programme reducing total debt from 2.4 billion Egyptian pounds as of March 2009 to 906 million Egyptian pounds as of March 2010. This has enabled us to reach net cash positive net cash position by March 31st 2010. We had a net cash position of 3.1 billion Egyptian pounds ex-dividend, net cash and cash equivalents would stand at 1.8 billion Egyptian pounds. The robustness of our financial positions gives us the capacity and flexibility to make further investments and acquisitions, which will ultimately support and enhance our integrated offering and expand our reach to the ultimate benefit of our customers and shareholders. We will continue to assess opportunities for expansion against a strict set of criteria to ensure they can ultimately add value, real value to TE's proposition.

I will now hand you back to Tarek to wrap up.

Tarek Tantawy Thank you Hassan. In 2009, we delivered strong margins, profit growth and achieved a cash positive position. Now already in the first quarter of 2010, we have made good progress against our goals for the year. Our ambition is clear but as you can see from our margin improvements over the last three months we are not complacent. TE has an exciting opportunity to capitalize on the demand for robust telecommunications and data services and secure its place at the heart of a dynamic market by leveraging its extensive digital network, a strong balance sheet, robust cash flows and our experienced management team. I am personally excited about what we can achieve.

With that I would open the line for questions. Operator, please go ahead.

Delilah Heakal Good afternoon everyone, this is Delilah Heakal from Pharos Securities. Congratulations on the results. I just wanted to ask whether the EBITDA for the quarter included any one-off items and if you could just repeat once again what elements impacted the cost control, where were costs cut operationally to improve margins?

Tarek Tantawy I'll hand over to Hassan to answer both questions.

Hassan Helmy On the second question, it is mainly relating to maintenance costs, other operational costs, SG&A, these sort of things. Can you repeat the first question?

Delilah Heakal Does the EBTIDA for the quarter include any one-off items or provision reversals?

Hassan Helmy If you are looking at the EBITDA after provisions, there is a reversal, yes, but that reversal is due to the collection of the actual receivables.

Delilah Heakal Ok. My second question was whether at this point you would be giving any updated guidance on TE North and if you could actually just remind us of how many fiber cables have been sold, what capacity has been sold so far? Just a general update.

Tarek Tantawy Instead of breaking down into how many fiber cables have been sold, I think it is easier if we tell you the value of contracts which have been already made. What has been announced is total value of contracts of $225 million. We will not be updating the guidance today for TE North. All I can tell you at this point is that we expect between 700-800 million pounds of TE North and TE Transit corridor related revenues in 2010.

Delilah Heakal Ok, thank you.

Tarek Tantawy You're welcome.

Richard Baker Thank you very much. Can I follow-up on the TE North gentlemen please if that's ok. I just wanted to clarify, I think you mentioned something Hassan about the accounting treatment and what exactly has happened but can I just clarity, the bulk of that 160 million that you have recognized in Q1, essentially it's a lumpy item, it's a one-off item because of the nature of the transaction in the first case. Is that correct?

Hassan Helmy The 160 is not relating to TE North, it is other cable business. It's a transit corridor. The accounting treatment, what we have been consulting our auditor on is our analysis of the risk and rewards of ownership being passed from Telecom Egypt to our customer and we have made this careful analysis and then we have broken down the arrangement into different components, so based on this analysis, we will have sales recognized if certain criteria is fulfilled and this criteria actually is existing in IAS 18 paragraph 14, and then we will have the maintenance which will be recognized over the life of the cable as and when performed.

Tarek Tantawy You should not expect the 160 million that appeared in Q1, it is more of a one-off revenue that we recognize. You should expect similar levels in the coming quarters as well.

Richard Baker Ok, just to follow-up on it though, you do not seem to have recognized any costs against it or maybe you have and I just have not noticed that, but can you just sort of clarify how the costs will match the revenues?

Tarek Tantawy We have recognized the costs that match that revenue stream, but if you remember we said earlier that for the TE North and the Transit Corridor the margins are very different, so on the Transit corridor part of the margins are relatively higher than the average fixed line margin if you will, and concerning the Wet part, the margins range between 10-15%. So what happened in Q1 was mainly a recognition for the high margin part which is the terrestrial part and any of the margin is well above 50%. Having said that, I just do not want to mask the solid performance in Q1, so even if you strip out the revenues and related costs from our top line and EBITDA, we would still have reported an EBITDA margin above 50% for the fixed line business.

Richard Baker Sure, that is very clear. The second question, I had for you guys which is a very easy one, can you just update us where your head count has got to?

Tarek Tantawy Head count now is almost at 50,500 employees.

Richard Baker Thank you very much indeed.

Tarek Tantawy You're welcome.

Maddy Singh Yes, hi. My first question is on the mobile strategy. Can you please update us where are you on that strategy? Second question is on mobile effective tax rate was very low in the first quarter. Is there something which we should be aware of? Any tax rate loss or something else?

Tarek Tantawy I will take your first question, and I will hand over to Hassan for the second one. Concerning the mobile strategy, I would like to put it in the context of our desire to become a total telecommunications provider and the intention and ambitions have not been changed since our previous call, so we are still exploring the various options that we have. I am not in a position today to update you on what course of action will be taken but we continue to explore and would require more time before being able to communicate with the market.

Maddy Singh As you were saying in the last call that you will have more clarity around the second quarter call about where you stand on this strategy and whether you want to pay out the dividend again, the dividend which you paid in 2009. Does that timeline also change or does that timeline stand that you will be updating on the second quarter?

Tarek Tantawy For the sake of factual accuracy, I did not say the second quarter, I said towards the end of summer so we still have a couple of months ahead. In all cases, I think this issue is that important for the future of Telecom Egypt that I do not want to be rushed in communicating decisions at this stage. All what I can tell you right now is that we are making good progress in achieving our strategy of becoming a total telecommunications provider and I should be in a position to update you later on during the year.

Hassan Helmy On the tax rate, I am assuming that you are looking at the effective tax rate which is affected by the so-called temporary differences, temporary differences between accounting and taxable profit. So you will find items like depreciation for tax purposes, they are calculated at different tax rates like 25% for the reversal of the impairment. That was added back to the tax pool, when we formed the permit or when permit was recognized, but as we reversed that impairment this would not be taxable. So it is a timing difference.

Maddy Singh So, we should expect this effective tax rate to rise in the later quarters to compensate for this first quarter?

Tarek Tantawy No, do not expect a significant increase. At the end of the day, it has been in the range of 16-17%, and you should always bear in mind that the investment income from Vodafone Egypt is not taxable.

Maddy Singh Yes, ok.

Martin Mabutt Thanks very much, yes, it is Martin Mabutt at Nomura. Two things, I just wanted to make sure I understood the TE North issue here. You talked about potentially 700-800 million of revenues being recognized this year. That is over and above this 160 million run rate from the Transit Corridor I presume?

Tarek Tantawy That is inclusive of the 160 million recognized in Q1.

Martin Mabutt Ok. Just to understand the accounting, these are effectively sale revenues so one would not expect these to be effectively accruing every year presumably? This is if you like a boost as the thing comes online?

Tarek Tantawy That is a sale, you are right and if you would expect it to show in 2010 and 2011 as well because there will be some other contracts to be signed. Over the longer term, the recurring part of the revenue stream would be almost 4% of the sales revenue and this comes in the form of operation and maintenance revenues. This would be occurring over the lifetime of any contract which usually spans for 15 years.

Martin Mabutt Ok, brilliant, thank you very much for that. Just a quick one on Vodafone, the Vodafone Egypt business. You talked about strongly performing and obviously on an annual basis net income is pretty flat but Q1 looks like it was down significantly relative to both Q4 and Q1 last year. Obviously, we have a tough market situation, but is there anything in that Q1 number which is perhaps abnormally low depressing profitability or is that a good run rate for the year?

Tarek Tantawy As a matter of a fact, Vodafone Egypt had one of their best quarters for quite some time. They had the highest share of net additions. They still maintain margins close to 50% so they are in pretty good shape and probably what you are referring to is the lower than usual investment income and this first of all would not be an issue under IFRS because this mainly relates to the employee share in dividends. What happened is that because Vodafone did not distribute dividends last year they had to expense under the Egyptian Accounting Standards the appreciating dividends which has put some pressure on the net income for the quarter on a standalone basis. If this would have been taken out from the analysis, they would have reported very solid profitability as well in Q4 of their financial year.

Martin Mabutt Ok, thank you very much. You couldn't give us that number by any chance? You couldn't tell us how large that depressant item was by any chance could you?

Tarek Tantawy If you get in touch with our investor relations team, they will be very happy to provide you with the details.

Martin Mabutt Thank you.

Zoltan Palfi Good afternoon gentlemen, this is Zoltan Palfi from UBS. Two questions please. Firstly, following up on the TE North discussion, this $225 million of revenue potential, does that cover the whole physical capacity of the cable or when you possibly sell the whole capacity of the cable there is upside risk to this number? That's the first question. The second question relates to the new national numbering plan that is due to be implemented in the coming months according to my understanding. Is there any risk to your costs as a result of this regulatory decision?

Tarek Tantawy On the second question no, there is not much of a cost that we would incur as a result of the numbering plan. On your first question, the $225 million announced, this is a mix of TE Transit Corridor and TE North. If you look at TE North alone, this is almost one quarter of the capacity, so you should expect that we will be signing other contracts relating to TE North and TE Transit Corridor and the revenue potential is definitely way above the $225 million that are signed already.

Zoltan Palfi Ok, just one follow-up question if I may. It has been almost a year ago when Vodafone Egypt last paid dividends to you. Is there any relief in sight in the shareholder dispute between you and Vodafone Egypt which could potentially improve your cash flow profile?

Tarek Tantawy I would not describe it as a dispute. It is more of again Vodafone opting to just wait to assess the merits of the legal claim which they are facing today, and I think they are progressing in this, and I should expect that this situation should be resolved sometime this year. Again it is not a dispute, and in all cases we are in a net cash position and the dividends would definitely be upstream sooner or later, so we're not in a real hurry for the cash.

Zoltan Palfi Great, thanks Tarek.

Tarek Tantawy You're welcome.

Sergey Fedoseev Thank you for taking the call. I just wanted a question on the mobile market competitive dynamics, actually after the Mobinil Q1 results; I was expecting that you will report a much weaker top line, much weaker numbers for Vodafone Egypt. Did it happen clearly if you cleaned the top line from TE North, the top line looks very strong, actually better than consensus and the same with Vodafone Egypt, the subscriber growth is quite impressive? Do you see any kind of sign of rationalisation of the market in Q1 and if not do you feel that you managed to grow the fixed to mobile substitution at the expense of Mobinil? How do you see your good results compared to Mobinil and how the market dynamics are overall? Thank you.

Tarek Tantawy Sergey, it is a very complicated question. I will do my best to answer. First, I would not comment in particular on Mobinil's results. I would mainly focus my comments on Vodafone and Telecom Egypt and the market at large. In the case of Vodafone, this is basically that they captured the highest share of net additions. They closed the market share gap with Mobinil, and I see this as a continuing trend in 2010. It seems that Etisalat are basically taking today a larger share from Mobinil instead of Vodafone. For us, what I can say is that the promotions that took place in Q4 of 2009 and Q1 of this year helped a little bit to mitigate the impact of fixed to mobile substitution. I would not be as optimistic as saying that we reversed the trend, but I think we are as a market approaching the period of rational behaviour by all players. I am not telling you that you will not see further price cuts, this can be expected, but I do not expect to see things as aggressive as they were in the previous year. What we are seeing in the first quarter and may be in the early months of Q2 as well is that we are having very strong headline rates being advertised, but the effect of price per minute reductions I would say have slowed down. I think with the kind of results that are being released by the three mobile operators, this would make them all approach again a more rational attitude when it comes to their pricing practices in the coming period, so we should expect some price reductions but not as significant as they were in the previous year.

Sergey Fedoseev Thank you.

Sarah Shabayek Hello, good afternoon. I want to get back to the EBITDA margin. I find that the EBITDA margin that was reported in the fourth quarter was a bit low and that this time EBITDA margin is a bit high. I was wondering about the sustainable EBITDA margin of Telecom Egypt and if the cost efficiencies that were achieved this quarter could be maintained in the falling prices as well?

Tarek Tantawy The cost optimization, it is a companywide plan so you should expect it to continue throughout the year. We are trying to put as much control as possible, but you should bear in mind as well that the increase happened in July, and this would cause some pressure on margins, so I do not expect margins to remain in the mid-50s level throughout the year, but I think what we achieved in Q1 makes us more optimistic about what sort of margins we can achieve in 2010 versus the guidance that we have given before. Again I am not in a position to upgrade guidance at this point in time. All I can tell you is that it is an optimistic start for the year.

Sarah Shabayek Thank you.

Tarek Tantawy You're welcome.

Ranjan Sharma Hi, this is Ranjan Sharma from JP Morgan on behalf of Christian Kern. Two questions if I may. Can you give us some indication of the Capex for 2010 and 2011 and what would be the long term rate as a percentage of revenue? Also a second question is since you have so much cash on your balance sheet can you give us an indication on how you plan to use this? Will you may dividends or will you be also looking for acquisitions and other uses of cash? Thank you.

Hassan Helmy On the Capex, the 309 million Egyptian pounds are mainly relating to the completion of the build-out and the modernisation of our infrastructure. As we give in our guidance, we intend TE North to maintain our Capex at a level of 12-15% of our revenue.

Tarek Tantawy On your second question which relates to the use of cash, obviously the intention is to use cash for the best way to create value to our shareholders, so today I do not have any regional expansion plans. The focus is mainly on our home market and it is obviously much linked to our desire to become a total telecommunications provider. If we succeed in this and we require the cash to invest then we will keep the cash otherwise. There would not be anything which would prevent us from paying more dividends.

Ranjan Sharma Ok, thank you.

Alexander Blokhin Hi, it is actually Alexander Blokhin from Goldman Sachs here. I have two questions, one is a follow-up on one of the previous questions on the profitability dynamics on Q4 and the first quarter this year, especially given that you had 160 million of the cable related revenues. Can you just once again confirm that you did not book additional costs related to this 160 million in the fourth quarter and now this 160 comes at a lower cost because they have been booked before. My second question is on your revenue guidance. Is -2% year-on-year revenues for 2010 account for 700-800 million pounds related to TE North sales and cable sales or this 700-800 million comes from the top of your guidance?

Tarek Tantawy On your first question, we can confirm that there has been no TE North related costs which were booked in Q4 of 2009. As I explained earlier, the revenues booked in Q1 of 2010 mainly relate to the TE Transit Corridor which by nature has a much higher margin than the wet part of the submarine cable.

Tarek Tantawy What was the second question please?

Alexander Blokhin The second question was on your revenue guidance of -2% for 2010 and is this guidance including 700-800 million related to cable sales which you mentioned on the call or…?

Tarek Tantawy Yes, it includes revenues from the submarine cable business.

Alexander Blokhin Thank you.

Adam Lassey Hi. What I wanted to ask was I wanted to understand why management believes entering the mobile market is going to be beneficial in terms of creating shareholder value?

Tarek Tantawy It is more about customer centricity and being able to deliver the kind of service that our customers really want. We are of the belief that being a total telecoms provider provides us with a significant edge versus competition. The next wave of growth that will happen in the Egyptian market in our view would be mainly coming from broadband and fixed to mobile convergence. Until now, most of the growth that has been happening, in fact all of the growth that has been happening on the mobile sector front is the traditional higher number of customers, lower ARPU but more minutes and hence more revenues. Going forward, it is all about convergence and this is where we believe we can create lots of value from selling both fixed and mobile, voice and broadband to enterprise customers in particular and there is lots of room to do this because until now there is not a single player in the market that has control over both platforms, fixed and mobile. Having said that obviously this would come at a cost and that cost would be the key thing to determine if this is value accretive to our shareholders or not and this is something that we are conscious of. We would not do it at any price and we keep that in mind.

Adam Lassey Thank you. Just to follow on, so why not then give you have got a huge stake in Vodafone Egypt, why not offer your mobile offering through Vodafone Egypt in one way or another?

Tarek Tantawy As we said in the previous call, there is a wide range of options and obviously what you are talking about could be one of those options, but again we are still exploring the various options that we have and we will obviously do what we think is best for the shareholders and our customers as well. The problem with the approach you are suggesting is that usually if you do not control both platforms, fixed and mobile, it is not a win-win situation. In some service offerings fixed services would be benefiting more at the expense of mobile and vice versa and this is when agreeing commercial terms becomes a really difficult thing to do. Having said that we would still explore this possibility and that might be one of the possible courses of action.

Closing Comment

Tarek Tantawy Thank you operator. Ladies and gentlemen, that concludes today's call. Thank you for your time and for participating. Should you have any further questions following today's results I encourage you to contact our Investor Relations team who will be happy to assist you. Thank you.